

Message Text

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PAGE 01 JIDDA 04654 290609Z

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 TRSE-00 XMB-04 EA-10 L-03

SP-02 CIAE-00 INR-07 NSAE-00 OMB-01 /045 W

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R 281335Z JUN 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1709

UNCLAS JIDDA 4654

E.O.11652: N/A

TAGS: BEXP, SA, US

SUBJECT: XENEL INDUSTRIES/ANACONDA PROPOSED JOINT VENTURE

REF JIDDA 4560

1. XENEL INDUSTRIES HAS RECEIVED THE FOLLOWING TELEX FROM ANACONDA; "CONFIRMING OUR DISCUSSIONS WITH HISHAM, WE HAVE REVIEWED THE FINANCING PROPOSALS MADE BY SIDF AND NCB AND CONCLUDE THAT ADEQUATE FINANCING WILL NOT BE AVAILABLE TO SCC WITHIN THE SCOPE OF OUR DECEMBER 30, 1974 JOINT VENTURE AGREEMENT. FURTHERMORE, A REVIEW OF RECENTLY DEVELOPED COSTS AND SELLING PRICES INDICATE CONSIDERABLE DOUBT THAT PROFIT MARGINS ASSUMED IN THE BUSINESS PLAN CAN BE ATTAINED. WE ARE ALSO CONCERNED THAT THE PROJECT WILL BE DELAYED INDEFINITELY BECAUSE OF THE LACK OF ELECTRICAL POWER. SINCE THE MATTERS REFERRED TO IN ARTICLE 12 OF OUR JOINT VENTURE AGREEMENT HAVE NOT BEEN RESOLVED, ANACONDA HEREBY GIVES NOTICE PURSUANT TO ARTICLE 12.2 THAT IT IS EXERCISING ITS RIGHT TO DECLARE THE JOINT VENTURE AGREEMENT NULL AND VOID AND OF NO EFFECT. I WILL BE GLAD TO MEET WITH YOU TO DISCUSS AN ORDERLY WINDUP OF OUR PART OF THE PROJECT." SIGNED: W. R. OLSEN, VICE PRESIDENT.

2. PREDICTABLY, KHALID ALI REZA SAYS SUBSTANCE OF MESSAGE IS INCORRECT. THE BOARD OF DIRECTORS OF THE ELECTRIC COMPANY HAS AGREED TO PROVIDE THE NECESSARY UNCLASSIFIED

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ELECTRICITY. (ALI REZA SENT ANACONDA A TELEX TO THAT

EFFECT ON JUNE 22. FYI - EMBASSY AGREES THAT ELECTRICITY WOULD INDEED POSE A SERIOUS PROBLEM.) ALI REZA ALSO INSISTS THAT APPROXIMATELY 70 PERCENT INTEREST FREE FINANCING FROM THE SAUDIS SHOULD MAKE A SOUND FINANCIAL VENTURE, AND DOESN'T BELIEVE THE COMMENT ON COSTS AND SELLING PRICES.

3. ALI REZA ALSO MAINTAINS THAT OLSEN HAD EARLIER SAID ANACONDA WAS UNDER PRESSURE FROM THE "CARTEL." REPORTEDLY THE CARTEL BROUGHT PRESSURE ON ERICSON TO PLACE ITS TELEPHONE WIRE PROJECT UNDER THE ANACONDA/ALI REZA PROJECT.
HORAN

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Message Attributes

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Decaption Note:
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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: n/a
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